



Matthew W. Gissendanner
Assistant General Counsel

matthew.gissendanner@scana.com

April 17, 2019

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Annual Review of Base Rates for Fuel Costs for South Carolina Electric
& Gas Company
Docket No. 2019-2-E

Dear Ms. Boyd:

Enclosed for filing on behalf of South Carolina Electric & Gas Company ("SCE&G") and the South Carolina Office of Regulatory Staff ("ORS") is a Joint Proposed Order Approving Fuel Costs and Adopting Stipulation ("Proposed Order") in the above-captioned docket.

By copy of this letter, SCE&G is providing a copy of the Proposed Order to counsel for the parties of record.

If you have any questions or concerns, please do not hesitate to contact us.

Very truly yours,

Matthew W. Gissendanner

MWG/kms
Enclosure

cc:	Dawn Hipp	Lauren J. Bowen, Esquire
	Jeffrey M. Nelson, Esquire	William C. Cleveland IV, Esquire
	Jenny R. Pittman, Esquire	Richard L. Whitt, Esquire
	Alexander G. Shissias, Esquire	Scott Elliott, Esquire
	Benjamin L. Snowden, Esquire	Gudrun Elise Thompson, Esquire
	(all via U.S. First Class and electronic mail w/enclosure)	

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-2-E

April 1, 2019

IN RE:

**Annual Review of Base Rates for Fuel
Costs for South Carolina Electric & Gas
Company**

**JOINT PROPOSED ORDER
APPROVING FUEL COSTS
AND ADOPTING
STIPULATION**

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina ("Commission") on the annual review of the fuel purchasing practices and policies of South Carolina Electric & Gas Company ("SCE&G" or "Company") and for a determination as to whether any adjustment in the fuel cost recovery factors is necessary and reasonable. The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865 (2015). Additionally, and pursuant to S.C. Code Ann. § 58-39-140 (2015), the Commission must determine in this proceeding whether an increase or decrease should be granted in the fuel cost component designed to recover the incremental and avoided costs incurred by the Company to implement the Distributed Energy Resource ("DER") program previously approved by the Commission. The period under review in this Docket is January 1, 2018, through December 31, 2018 ("Review Period").

A. Notice and Interventions

By letter dated August 24, 2018, the Clerk's Office of the Commission instructed the Company to publish a Notice of Hearing and Prefile Testimony Deadlines ("Notice") in

newspapers of general circulation in the area affected by the Commission's annual review of the Company's fuel purchasing practices and policies by October 8, 2018. The letter also instructed the Company to furnish the Notice to its customers by U.S. Mail via bill inserts, or by electronic mail to customers who have agreed to receive notice by electronic mail, by October 8, 2018. The Notice indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On October 3, 2018, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in newspapers of general circulation in accordance with the instructions set forth in the Clerk's Office's August 24, 2018 letter. On October 15, 2018, the Company filed with the Commission an affidavit demonstrating that the Notice was appropriately furnished to each affected customer.

Timely Petitions to Intervene were received from the South Carolina Energy Users Committee ("SCEUC"), the South Carolina Solar Business Alliance, Inc. ("SCSBA"), and CMC Steel South Carolina ("CMC Steel"), and a Petition to Intervene Out of Time was received from the South Carolina Coastal Conservation League ("SCCCL") and the Southern Alliance for Clean Energy ("SACE"). The Petitions to Intervene of SCEUC, SCSBA, CMC Steel, SCCCL, and SACE, were not opposed by SCE&G and no other parties sought to intervene in this proceeding. The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (2015).

B. Bifurcation

In direct testimony, SCE&G proposed updates to values in the Net Energy Metering ("NEM") Methodology pursuant to Order No. 2015-194 and updates to Rates PR-1 and PR-2 to reflect the Company's current avoided costs. The Company also proposed to include variable

integration charges in Rates PR-1 and PR-2 and assess those charges to solar Qualifying Facilities (“QF”) with a new or previously executed power purchase agreement that specifically provides that the solar QF owner/developer is responsible for variable integration charges. By Order No. 2019-229, dated March 27, 2019, the Commission granted the SCSBA’s Motion to Bifurcate Proceeding to provide for consideration of variable integration charges and the updates to SCE&G’s avoided costs reflected in Rates PR-1 and PR-2 and the NEM Methodology in a later proceeding. At such time as the Commission approves updated values for the NEM Methodology, avoided cost rates, and variable integration charges the Company may “true up” its accounting of items affected by such updates, e.g., the NEM Incentive and NEM Future Benefits in the calculation of DER program Incremental Costs, as if the updated values had been in effect as of the first billing cycle of May 2019. See Order No. 2019-43-H.

C. The Stipulation

On April 2, 2019, after the pre-filing of direct testimony by the parties and after all parties had been afforded a full opportunity to conduct discovery in this matter, ORS filed with the Commission a Stipulation executed by SCE&G, ORS, and SCEUC (collectively, the “Stipulating Parties”). SCCCL, SACE, SCSBA and CMC Steel were not signatories to the Stipulation. While SCCCL and SACE presented testimony in opposition to certain issues agreed upon by the Stipulating Parties, the SCSBA and CMC Steel did not present any such testimony. CMC Steel sought leave to be excused from appearing at the hearing. Leave to not appear was granted to CMC Steel as requested.

Among other things, the Stipulating Parties agreed as follows:

- I) SCE&G’s calculation and method of accounting for avoided and incremental costs for NEM during the Review Period were reasonable and prudent, were consistent with the

methodology approved in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, *et seq.* (2015).

- 2) SCE&G has met the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). During the Review Period, SCE&G reasonably and prudently incurred costs in implementing the Company's DER program, as approved in Commission Order No. 2015-512.
- 3) The cumulative balances of SCE&G's DER program costs as of December 31, 2018, totaled an over-collected balance of \$1,856,462 in avoided costs and an under-collected balance of \$669,089 in incremental costs, which are reasonable and prudent.
- 4) SCE&G reasonably projected its DER program costs for the period January 1, 2019, through April 30, 2020, which are accurately reflected in Hearing Exhibit No. 6 (Exhibit Nos. __ (AWR-6) through (AWR-9) attached to the direct testimony of Witness Rooks).
- 5) SCE&G's proposed DER Avoided Cost Component by class, as set forth below, are reasonable and prudent, and shall become effective for the period beginning with the first billing cycle of May 2019.

Class	DER Avoided Cost Component (¢/kWh)
Residential	0.033
Small General Service	0.031
Medium General Service	0.026
Large General Service	0.016

- 6) SCE&G's proposed monthly per account DER Incremental Cost Components by class, as set forth below, properly allocate SCE&G's DER program incremental costs, are

reasonable and prudent, and shall become effective for the period beginning with the first billing cycle of May 2019.

Class	Monthly Per Account DER Incremental Cost Component
Residential	\$ 1.00
Small & Medium Gen. Svc.	\$ 5.19
Large General Service	\$ 100.00

- 7) The tariff sheet entitled “Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Program Costs,” including the rates, terms and conditions, is lawful, just, and reasonable, and shall become effective for the period beginning with the first billing cycle of May 2019.
- 8) SCE&G made reasonable efforts to maximize unit availability and minimize fuel costs and took appropriate corrective action with respect to outages that occurred during the Review Period.
- 9) Subject to any adjustments set forth in ORS’s pre-filed direct testimony, SCE&G’s accounting practices are in compliance with S.C. Code Ann. § 58-27-865 (2015).
- 10) SCE&G’s net cumulative over-collected balance of total base fuel, variable environmental, and avoided capacity costs for the periods ending December 2018, and estimated through April 2019 are \$10,860,821 and \$2,534,512, respectively.
- 11) The appropriate fuel factors for SCE&G to charge pursuant to the Stipulation for the period beginning with the first billing cycle for May 2019 and extending through the last billing cycle for April 2020 are listed below.

Class	Base Fuel Cost Component (¢/kWh)	Variable Environmental & Avoided Capacity Cost Component (¢/kWh)	DER Avoided Cost Component (¢/kWh)	Total Fuel Costs Factor (¢/kWh)
Residential	2.451	0.071	0.033	2.555
Small General Service	2.451	0.065	0.031	2.547
Medium General Service	2.451	0.055	0.026	2.532
Large General Service	2.451	0.035	0.016	2.502
Lighting	2.451	0.000	0.000	2.451

- 12) The Stipulating Parties agree that the base fuel component set forth in Paragraph 11 above is projected to create an under-collected cumulative balance of base fuel costs as of April 30, 2020, of approximately \$35.4 million.
- 13) The Stipulating Parties agree that the Company be allowed to apply carrying costs for base fuel cost component under-collected balances, as they occur, and be based on the 3-year U.S. Government Treasury Note rate plus 65 basis points.
- 14) The proposed rates would decrease the average monthly bill of a Rate 8 residential customer using 1,000 kilowatt hours (“kWh”) per month from \$124.91 to \$124.71, a net decrease of \$0.20, or 0.16%.
- 15) The Stipulating Parties agree that the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (2015) and that, except as otherwise provided in the Stipulation, any and all challenges to SCE&G’s historical fuel costs recovery for the period ending December 2018, are not subject to further review; however, the projected fuel costs for the period beginning January 1, 2019, and thereafter, shall be an open issue in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (2015).

16) With regards to plant outages not completed as of December 31, 2018, if any, and outages where final reports of SCE&G, contractors, governmental entities or others are not available, if any, the Stipulating Parties agree that ORS retains the right to review the reasonableness of the plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) on such outage(s) become available.

17) Upon written request, SCE&G will provide the following to the Stipulating Parties:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and
- b. Quarterly forecasts beginning with the quarter ending June 30, 2019, of the expected fuel factors to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over (under)-collected balance to date. SCE&G agrees it will put forth reasonable efforts to forecast the expected fuel factors to be set at its next annual fuel proceeding; however, the Stipulating Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceeding.

II. STATUTORY STANDARDS AND REQUIRED FINDINGS

S.C. Code Ann. § 58-27-865(B) (2015) states in pertinent part that, “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.”

III. HEARING

In order to consider the merits of this case, the Commission convened a hearing on this matter on April 3, 2019, with the Honorable Comer H. “Randy” Randall presiding. SCE&G was represented by K. Chad Burgess, Esquire; Matthew W. Gissendanner, Esquire; and Mitchell Willoughby, Esquire. SCEUC was represented by Scott Elliott, Esquire. SCCCL and SACE were represented by William C. Cleveland, IV, Esquire, and Lauren Joy Bowen, Esquire. SCSBA was represented by Richard L. Whitt, Esquire. CMC Steel and its counsel of record did not appear at the hearing. Jeffrey M. Nelson, Esquire represented ORS. In this Order, ORS, SCEUC, SCCCL, SACE, SCSBA, CMC Steel, and SCE&G are collectively referred to as the “Parties” or sometimes individually as a “Party.”

At the outset of the hearing, ORS counsel introduced the Stipulation. The Stipulation was admitted into the record as Hearing Exhibit 1 and is attached hereto and incorporated herein as Order Exhibit No. 1.

Through their personal appearances, SCE&G presented the direct testimonies of George A. Lippard, III and John H. Raftery and the direct testimonies and exhibits of Henry E. Delk, Jr.; Michael D. Shinn; J. Darrin Kahl; and Allen W. Rooks. Through their personal appearances, the ORS presented the direct testimonies and exhibits of Anthony D. Briseno, Anthony M. Sandonato, and Robert A. Lawyer. The direct testimony and exhibits of SCCCL and SACE Witness Gregory M. Lander were stipulated into the record by all Parties present at the hearing.¹ SCSBA, SCEUC, and CMC Steel did not present witnesses at the hearing.

¹At the hearing, SCE&G and SCCCL and SACE informed the Commission that they had agreed to stipulate the testimonies of SCE&G witness J. Darrin Kahl and SCCCL and SACE witness Gregory M. Lander without cross-examination. As a result of the agreement, SCE&G withdrew its Motion to Strike Portions of the Direct Testimony of Gregory M. Lander.

Through his personal appearance, SCE&G presented the rebuttal testimony and exhibit of Witness Kahl in response to the direct testimony of SCCCL and SACE Witness Lander. The surrebuttal testimony of SCCCL and SACE Witness Lander in response to SCE&G's rebuttal testimony was stipulated into the record by all Parties present at the hearing.²

IV. REVIEW OF THE EVIDENCE AND EVIDENTIARY CONCLUSIONS

After hearing the evidence and testimonies of the witnesses and reviewing the Stipulation, the Commission reaches the following factual and legal conclusions:

A. DER Programs and Costs

1. SCE&G Testimony

Witness Raftery discussed the performance of the Company's DER programs during the Review Period, and the costs associated with offering these DER programs during the Review Period. These programs include offering utility-scale DER programs, customer-scale NEM incentives, Performance Based Incentives, Bill Credit Agreement program, and the Community Solar program. Witness Raftery also discussed the Company's DER cost projections for the forecast period January 1, 2019, through April 30, 2020.

As a result of these efforts, the balance of DER program costs at the end of the Review Period totaled an over-collected balance of \$1,856,462 in avoided costs and an under-collected balance of \$669,089. For the period January 1, 2019, through April 30, 2020, the Company

² At the hearing, and subsequent to the Parties stipulating into the record the testimonies and exhibits of SCCCL and SACE witness Lander, the Commission directed SCCCL and SACE to file an affidavit verifying the direct and surrebuttal testimonies and exhibits of witness Lander. As of April 16, 2019, SCCCL and SACE had not done so.

projects that DER program costs will include \$9,426,377 in avoided costs and \$25,558,588 in incremental costs.

Witness Rooks provided actual data on the Company's DER avoided and incremental costs for the historical Review Period and the projected DER costs for the period January 1, 2019, through April 30, 2020. As reflected in Hearing Exhibit No. 6 (AWR-7), Witness Rooks testified that the Company's forecasted DER program Avoided Cost Components for the period May 2019 through April 2020 should be as follows: 0.033 cents per kWh for the Residential rate class; 0.031 cents per kWh for the Small General Service rate class; 0.026 cents per kWh for the Medium General Service rate class; and 0.016 cents per kWh for the Large General Service rate class. He also testified that, as reflected in Hearing Exhibit No. 6 (AWR-9), the Company's DER program Incremental Cost Components by class should be: \$1.00 per account per month for the Residential rate class; \$5.19 per account per month for the Small/Medium General Service rate class; and \$100.00 per account per month for the Large General Service rate class. Witness Rooks also sponsored the Company's proposed "Adjustment for Fuel, Variable Environmental & Avoided Capacity, and Distributed Energy Resource Costs" tariff.

Witness Raftery further testified that the Company achieved the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). As of December 31, 2018, SCE&G has nine solar farms totaling 48.16 megawatts ("MW") interconnected to its distribution system as part of the Company's approved DER program. SCE&G also has 8,883 customers participating in its customer-scale DER programs, providing approximately 87.08 MW of solar generating capacity on the Company's system.

Witness Raftery also testified that SCE&G achieved Act 236's NEM limit or cap of 2% as of March 31, 2019, and would continue to accept submitted NEM applications through May 3,

2019; that submitted NEM applications must be determined to be fully complete, including all paperwork and application fees submitted by May 24, 2019; that all fully complete NEM applications must successfully pass through technical review and approval processes by July 26, 2019; and that all approved systems must be interconnected within one year of their approval.

Witness Raftery further testified that the 2% cap is not a cap on solar, but “only a cap on NEM systems to limit the cost shifts created for non-solar customers by this billing mechanism” and that “customers interested in solar have a number of different programs in which they may voluntarily participate” even though the 2% cap has been reached.

Regarding the Company’s Community Solar program, Witness Raftery testified that Springfield Solar, a 6 MW facility in Orangeburg County, and Nimitz Solar, an 8 MW facility in Jasper County, entered commercial operation in June 2018, and that Curie Solar, a 2 MW facility in Hampton County, entered commercial operation in February 2019. According to Witness Raftery, as of December 31, 2018, 1,096 customers have either purchased or subscribed to 15.978 MW of the available 16 MW of community solar capacity. The remaining 0.022 MW of capacity is reserved for Low-Income customers and is being filled via a separate waitlist created by the marketing of SCE&G, Clean Energy Collective, and 8 Community Assistance Agencies.

2. ORS Testimony

Witness Lawyer testified that the Company’s calculations are in compliance with Act No. 236 of 2014 and Commission Orders, and that the Company’s calculations support SCE&G’s proposed DER program charges.

3. *SCCCL and SACE Testimony*

SCCCL and SACE did not present any testimony regarding the DER programs offered by the Company during the Review Period or the associated costs.

4. *The Commission's Overall Conclusions Regarding DER Programs and Cost*

The Commission finds that SCE&G's calculation and method of accounting for avoided and incremental costs for NEM during the Review Period were reasonable and prudent, were consistent with the methodology approved in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, *et seq.* (2015).

The Commission finds that the evidence presented by SCE&G establishes that, during the Review Period, SCE&G offered DER programs and that the Company has met its statutorily designated goals as set by S.C. Code Ann. § 58-39-130. The Commission further finds that the Company's DER programs and the associated costs are reasonable and prudent.

B. Fuel Purchasing Practices, Environmental Costs, Plant Operations, and Fuel Inventory Management

1. *SCE&G Testimony*

SCE&G witnesses testified in support of the Stipulation and on issues related to the prudence of SCE&G's fuel purchasing practices, plant operations, and fuel inventory management, and explained the regulatory atmosphere governing environmental compliance for SCE&G. Witness Lippard discussed the operating performance of the V.C. Summer Nuclear Station. Witness Delk reviewed the operating performance of the Company's fossil/hydro units and of South Carolina Generating Company's Williams Electric Generating Station. Witness Shinn discussed the Company's procurement and delivery activities for coal and No. 2 fuel oil for electric generation, the changes that have occurred in coal markets since the last annual fuel adjustment hearing, and how these changes affected coal procurement during the Review Period

and are anticipated to affect future procurement. Witness Shinn also discussed the procurement and delivery of limestone for the wet scrubbers at Wateree and Williams Stations, the nuclear fuel purchasing processes for SCE&G generation, uranium prices, and the near-term outlook of coal and uranium prices. Witness Kahl provided testimony about the natural gas purchasing processes for SCE&G generation and discussed natural gas prices as well as the near-term outlook. Witness Rooks provided actual fuel cost data for the historical Review Period, and projected fuel costs for the period January 1, 2019, through April 30, 2020; and recommended fuel rates for the period of May 2019 through April 2020. Hearing Exhibit No. 6 (AWR-5) shows the Company's forecasted variable environmental and avoided capacity costs and the allocation of those costs to retail customer classes for the period of May 2019 through April 2020. This exhibit also details forecasted sales data by class, over/under recovery computations, and calculates the projected Variable Environmental & Avoided Capacity Cost Components per kWh for the same period. The Variable Environmental & Avoided Capacity Cost Components produced by these calculations are projected to recover all costs and are as follows: 0.071 cents per kWh for the Residential rate class; 0.065 cents per kWh for the Small General Service rate class; 0.055 cents per kWh for the Medium General Service rate class; and 0.035 cents per kWh for the Large General Service rate class.

2. ORS Testimony

Witness Briseno testified and presented the results of the ORS Audit Department's examination of the Company's books and records pertaining to the Fuel Adjustment Clause operation for the Review Period, and the Company's estimated calculations for the months of January 2019 through April 2019. Based on the ORS Audit Department's examination of the

Company's books and records, and the Company's operation of the fuel cost recovery mechanism, Witness Briseno verified that the Company's accounting practices are in compliance with S.C. Code Ann. §§ 58-27-865, 58-39-130, 58-39-140, and 58-40-20 (2015) and prior Commission orders. Witness Sandonato testified to the ORS's findings resulting from its review of the Company's fuel expenses and power plant operations used in the generation of electricity during the Review Period. Based on ORS's review of the Company's operation of its generating facilities during the Review Period, Witness Sandonato verified that the Company made reasonable efforts to maximize unit availability and minimize fuel costs during the Review Period.

3. SCCCL and SACE Testimony

SCCCL and SACE Witness Lander recommends that the Commission not allow SCE&G full recovery of the costs associated with its Precedent Agreements with Mountain Valley Pipeline and Transcontinental Gas Pipeline Company's Southeastern Trail Project. SCE&G Witness Kahl presented rebuttal testimony opposing Witness Lander's recommendations. Both Witness Lander and Witness Kahl agree that no costs associated with the Precedent Agreements with Mountain Valley Pipeline and the Southeastern Trail Project are included in this fuel proceeding. As such, the issues related to these agreements are not before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

Witness Lander also recommends that the Commission disallow certain annual fixed reservation fees paid by SCE&G to SCANA Energy Marketing, Inc. ("SEMI") pursuant to a Gas Supply Agreement, dated April 2, 2004 ("Gas Supply Agreement"), because Mr. Lander "do[es]n't think" the Gas Supply Agreement is really a firm contract. Witness Lander further recommends that the Commission disallow SCE&G to enter into (or renew) such an agreement with any affiliate again and that, if SCE&G seeks to procure gas supply, transportation, or transportation scheduling

services for a fee from third parties, the Commission require SCE&G to do so only through a Request for Proposal (“RFP”).

In response to Witness Lander, Witness Kahl testified that the Commission approved the Gas Supply Agreement by Order No. 2007-273, dated May 18, 2007, in Docket No. 2004-126-E, and as such, SCE&G’s fixed reservation fees paid pursuant to the terms of the Gas Supply Agreement are reasonable and prudent and appropriate for recovery in this fuel proceeding. Witness Kahl also testified that the plain language of the Gas Supply Agreement indicates that it is for firm gas supply and that the Gas Supply Agreement had a very high and significant utilization rate, demonstrating its value to SCE&G’s customers, and on no occasion did SEMI fail to schedule natural gas which SCE&G had nominated pursuant to the terms of the agreement. Witness Kahl also testified that the Commission should reject Witness Lander’s recommendations as to agreements with affiliates, stating that South Carolina law and Commission orders already provide certain requirements for affiliate transactions, that SCE&G is committed to complying with these requirements and that Mr. Lander has not demonstrated any basis for a blanket ban on agreements between affiliates. Finally, Mr. Kahl testified that Mr. Lander’s recommendation regarding the procurement of certain services through an RFP was unnecessary and should be rejected in light of the RFP requirements set forth recently in Commission Order No. 2018-804(A) in Docket No. 2017-370-E.

4. Commission Conclusions Regarding Fuel Purchasing Practices, Environmental Costs, Plant Operations, and Fuel Inventory Management

Based upon the evidence and testimony of the witnesses and after reviewing the Stipulation, the Commission therefore finds and concludes that SCE&G’s fuel purchasing

practices and policies, environmental costs, plant operations, and fuel inventory management during the Review Period are reasonable and prudent.

Further, the issues related to the Mountain Valley Pipeline and the Southeastern Trail Project are properly not before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

With respect to the fixed reservation fees associated with the Gas Supply Agreement, the Commission declines to adopt any of the recommendations of Witness Lander. The Commission approved the Gas Supply Agreement by Order No. 2007-273, dated May 18, 2007, in Docket No. 2004-126-E, and as such, SCE&G's fixed reservation fees paid pursuant to the terms of the Gas Supply Agreement are reasonable and prudent and appropriate for recovery in this fuel proceeding. Moreover, the Commission finds it unnecessary to adopt Witness Lander's recommendations with respect to affiliate agreements and the procurement of certain services through RFPs as those issues are sufficiently dealt with under existing laws and prior Commission orders.

C. Proposed Base Fuel Component

1. SCE&G Testimony

Witness Rooks testified that the actual base fuel over-collected balance was \$8,740,636 at December 31, 2018, and the projected under-collected balance to be \$5,333,261 at the end of April 2019. Witness Rooks also testified that a Base Fuel Component of 2.610 cents per kWh is projected to recover all base fuel costs in the forecast period in addition to eliminating the projected over-collected balance by the end of April 2020. However, Witness Rooks further testified that the Company proposes to maintain its Base Fuel Component at 2.451 cents per kWh to mitigate rate impacts to the Company's retail electric customers. Under the proposal, the Company will not fully recover its Base Fuel Costs in the succeeding 12-month period and is projected to

accumulate an under-collected balance of \$35,416,383 as of April 2020 as shown on Hearing Exhibit 6 (AWR-10). The Company requested that it be permitted to apply carrying costs to any under-collected balances that result during the May 2019 through April 2020 time period. The carrying cost rate that would be applied to these balances, should they occur, would be the rate of interest as of the final day of each month during the recovery period for 3-Year U.S. Government Treasury Notes, as reported in the Wall Street Journal, plus an all-in spread of 65 basis points (0.65 percentage points). Witness Rooks further noted that the Commission has allowed similar treatment with respect to the application of carrying costs to fuel cost recovery for SCE&G in past proceedings, including Docket No. 2017-2-E.

Witness Rooks further testified that the Company is proposing to decrease the Variable Environmental & Avoided Capacity Cost Components for the May 2019-April 2020 time period, to decrease its DER Incremental Cost Component per account per month to \$5.19 for Small/Medium General Service customers, and to maintain the DER Incremental Cost Component per account per month of \$1.00 for Residential and \$100.00 for Large General Service customers. When combining the Company's 2019 proposals for Fuel, Variable Environmental, Avoided Capacity, DER program, and Demand Side Management cost recovery, Witness Rooks testified that the average monthly bill for residential customers using 1,000 kWh per month would decrease from \$124.91 to \$124.35. This \$0.56 per month reduction, or -0.45%, would become effective with the first billing cycle of May 2019.

2. ORS Testimony

Witness Sandonato testified that, as of December 2018, the Company had a base fuel cumulative over-recovery balance of \$8,740,636, a variable environmental and avoided capacity over-recovery balance of \$2,120,185, and Distributed Energy Resource Program ("DERP")

avoided costs over-recovery balance of \$1,856,462. As shown on Hearing Exhibit No. 9 (ADB-5), page 2 of 2, ORS projects the Company to have a base fuel cumulative under-recovery balance of \$5,333,261, a variable environmental and avoided capacity over-recovery balance of \$2,798,751, and DERP avoided costs over-recovery balance of \$1,648,629 as of April 30, 2019. Witness Sandonato also testified that “ORS recommends that the Commission approve the Company’s request that the current Base Fuel Component remain in effect for bills rendered on and after the first billing cycle for May 2019, and continue through the last billing cycle for April 2020. Witness Sandonato also testified that ORS recommends that the Company be allowed to collect carrying costs on any under-collected balances, as they occur, at a rate equal to the 3-Year U.S. Government Treasury Note plus 65 basis points. He also testified that ORS recommends that the Commission approve the Company’s proposed Environmental and Avoided Capacity Components and DERP Avoided Cost Components for the period of May 2019 through April 2020. Witness Sandonato testified that, if approved, the rates proposed in this proceeding (exclusive of DSM adjustments) would decrease the average monthly bill of a Rate 8 residential customer using 1,000 kWh per month from \$124.91 to approximately \$124.71, a net decrease of \$0.20, or 0.16%.

3. SCCCL, SACE, and SCSBA Testimony

SCCCL, SACE, and SCSBA did not present any testimony regarding the Company’s proposed base fuel component.

4. Commission Conclusions Regarding the Proposed Base Fuel Cost Component

As reflected in the evidence of record, no party challenged SCE&G’s proposed Base Fuel Cost Component. Based upon the evidence and testimony of the witnesses and after reviewing the Stipulation, the Commission therefore finds and concludes that the proposed Base Fuel

Component, as set forth in the Stipulation, is reasonable and prudent and is consistent with S.C. Code Ann. § 58-27-865 (2015). The Commission also finds and concludes that the Company should be allowed carrying costs for Base Fuel Cost Component under-collected balances, as they occur, based on the 3-year U.S. Government Treasury Note rate plus 65 basis points.

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

SCE&G's calculation of and method of accounting for avoided costs and incremental costs for NEM during the Review Period were reasonable and prudent, were consistent with methodology approved in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, *et seq.* (2015).

SCE&G has met the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). During the Review Period, SCE&G reasonably and prudently incurred costs in implementing the Company's DER program, as approved in Commission Order No. 2015-512.

As a result of SCE&G's efforts to provide the DER programs, the over-collected balance of the DER program costs as of December 31, 2018, totaled \$1,856,462 in avoided costs and an under-collected balance of \$669,089 in incremental costs, which are reasonable and prudent.

SCE&G's proposed DER Avoided Cost Components by class are reasonable and prudent. SCE&G's proposed monthly per account DER Incremental Cost Components by class properly allocate SCE&G's DER program incremental costs and are reasonable and prudent.

SCE&G's proposed "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Costs" tariff sheet, including the rates, terms, and conditions, is lawful, just, and reasonable.

SCE&G's fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (2015) were reasonable and prudent.

The issues related to the Mountain Valley Pipeline and the Southeastern Trail Project are not properly before the Commission in this proceeding, and the Commission declines to issue any ruling on these matters.

The fixed reservation fees paid by SCE&G pursuant to the terms of the Gas Supply Agreement are reasonable and prudent and appropriate for recovery in this fuel proceeding, and it is unnecessary to adopt Witness Lander's recommendations with respect to affiliate agreements and the procurement of certain services through RFPs as those issues are sufficiently dealt with under existing laws and prior Commission orders.

Approval of the Stipulation is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (2015). The Stipulation allows recovery by SCE&G of fuel costs as precisely and promptly as possible and in a manner to assure public confidence and minimize abrupt changes in charges to customers. Additionally, the Commission finds and concludes that the Stipulation, while being final and conclusive for the Review Period, affords the Stipulating Parties with the opportunity to review costs and operational data in future fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (2015). As such, it is in the public interest as a reasonable resolution of the issues in this case. We also find that the resolution of issues among the Stipulating Parties as set forth in the Stipulation does not appear to inhibit economic development.

IT IS THEREFORE ORDERED THAT:

1. The Stipulation, incorporated herein by this reference, is found to be a reasonable resolution to the issues in this case, is in the public interest, and is therefore hereby adopted and approved.

2. The fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (2015) of SCE&G are reasonable and prudent for the period January 1, 2018, through December 31, 2018.

3. SCE&G's calculation of and method of accounting for avoided and incremental costs for NEM during the Review Period were reasonable and prudent, were consistent with the methodology approved in Commission in Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, *et seq.* (2015).

4. SCE&G's proposed revisions to its "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Costs" tariff sheets are lawful, just and reasonable and are hereby approved for use on, during, and after the first billing cycle in May 2019.

5. SCE&G's DER programs offered during the Review Period were reasonable and prudent, complied with Commission Order Nos. 2015-194 and 2015-512, and were designed to meet SCE&G's statutorily designated goals as set by S.C. Code Ann. § 58-39-130 (2015).

6. SCE&G's proposed monthly per kWh DER Avoided Cost Components by class, as set forth below, properly allocate SCE&G's DER program avoided costs, are reasonable and prudent, and are hereby approved for bills rendered on and after the first billing cycle in May 2019.

Class	DER Avoided Cost Component (¢/kWh)
Residential	0.033

Small General Service	0.031
Medium General Service	0.026
Large General Service	0.016

7. SCE&G's proposed monthly per account DER Incremental Cost Components by class, as set forth below, properly allocate SCE&G's DER program incremental costs and are reasonable and prudent, and are hereby approved for bills rendered on and after the first billing cycle in May 2019.

Class	Monthly Per Account DER Incremental Cost Component
Residential	\$ 1.00
Small & Medium Gen. Svc.	\$ 5.19
Large General Service	\$ 100.00

8. SCE&G shall set its Base Fuel Cost Component, Variable Environmental & Avoided Capacity Cost Components and Total Fuel Cost Factors consistent with the amounts set forth in the table below effective for bills rendered on and after the first billing cycle for May 2019.

Class	Base Fuel Cost Component (¢/kWh)	Variable Environmental & Avoided Capacity Cost Component (¢/kWh)	DER Avoided Cost Component (¢/kWh)	Total Fuel Costs Factor (¢/kWh)
Residential	2.451	0.071	0.033	2.555
Small General Service	2.451	0.065	0.031	2.547
Medium General Service	2.451	0.055	0.026	2.532
Large General Service	2.451	0.035	0.016	2.502
Lighting	2.451	0.000	0.000	2.451

9. SCE&G shall be allowed to recover carrying costs for base fuel cost component under-collected balances as they occur. The carrying cost rate that shall be applied to these balances, should they occur, is the rate of interest as of the final day of each month during the recovery period for 3-year U.S. Government Treasury Notes, as reported in the Wall Street Journal, plus an all-in spread of 65 basis points (0.65 percentage points).

10. The Parties shall abide by all terms of the Stipulation.

11. SCE&G shall file with the Commission the tariff sheets and rate schedules approved by this Order and all other retail tariff sheets within ten (10) days of receipt of this Order, and also serve copies on the Parties. The fuel rates reflected in any such tariff sheets shall be consistent with the components and factors set forth herein. The revised tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<https://dms.psc.sc.gov/>). An additional copy should be sent via e-mail to etariff@psc.sc.gov to be included in the Commission's ETariff system (<https://etariff.psc.sc.gov>). SCE&G shall provide a reconciliation of each tariff rate change approved as a result of this order to each tariff rate revision filed in the ETariff system. Such reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff filing. Each tariff sheet shall contain a reference to this Order and its effective date at the bottom of each page.

12. SCE&G shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865(B) (2015).

13. SCE&G shall continue to file the monthly reports as previously required.

14. SCE&G shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by

booking the difference to revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery amount.

15. SCE&G shall submit monthly reports of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater to the Commission and ORS.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H. "Randy" Randall, Chairman

ATTEST:

Justin T. Williams, Vice Chairman

(SEAL)